

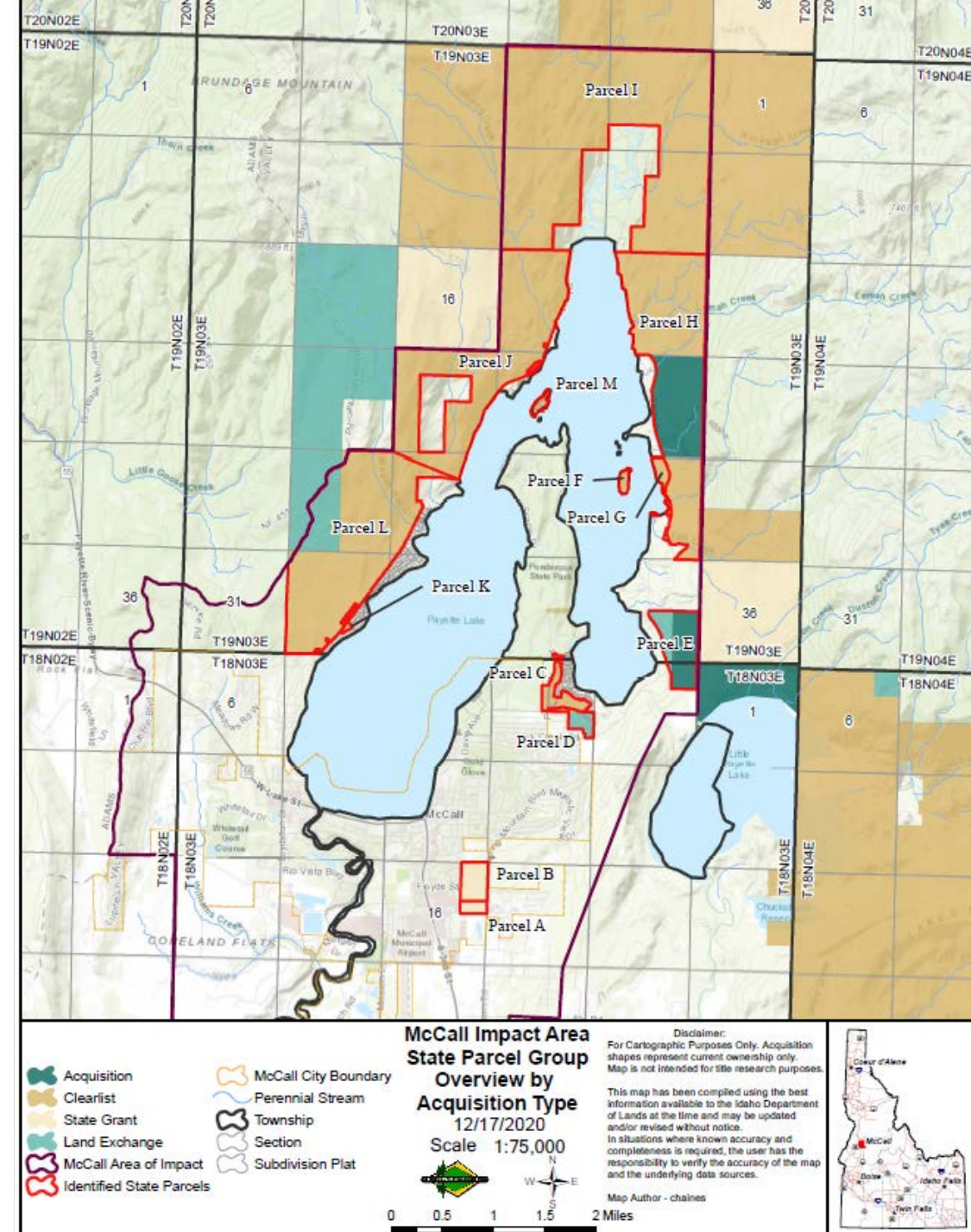


Payette Endowment Lands Strategy

January 28, 2021
Focus Group

Introduction

- There are approximately 183,000 acres under IDL's Payette Lakes Area Office management.
- Of those, approximately 74,000 acres, are classified, managed, and hold commensurate value as primary timberlands.
- Approximately 5,000 acres sit within McCall's designated Area of Impact, are classified as timberland assets, but are surrounded by higher valued land types.



Introduction

- Endowment lands within the area of impact are either zoned for uses other than timberland or identified as areas for growth in the future.
- Proximity to urban areas make traditional timber management difficult due to view sheds, public safety, and conflicts with adjacent uses (i.e. residential, recreation, etc.).
- These lands have potential for higher revenue generating uses through leasing or disposition (exchange or sale).

LAND USE GOALS + POLICIES

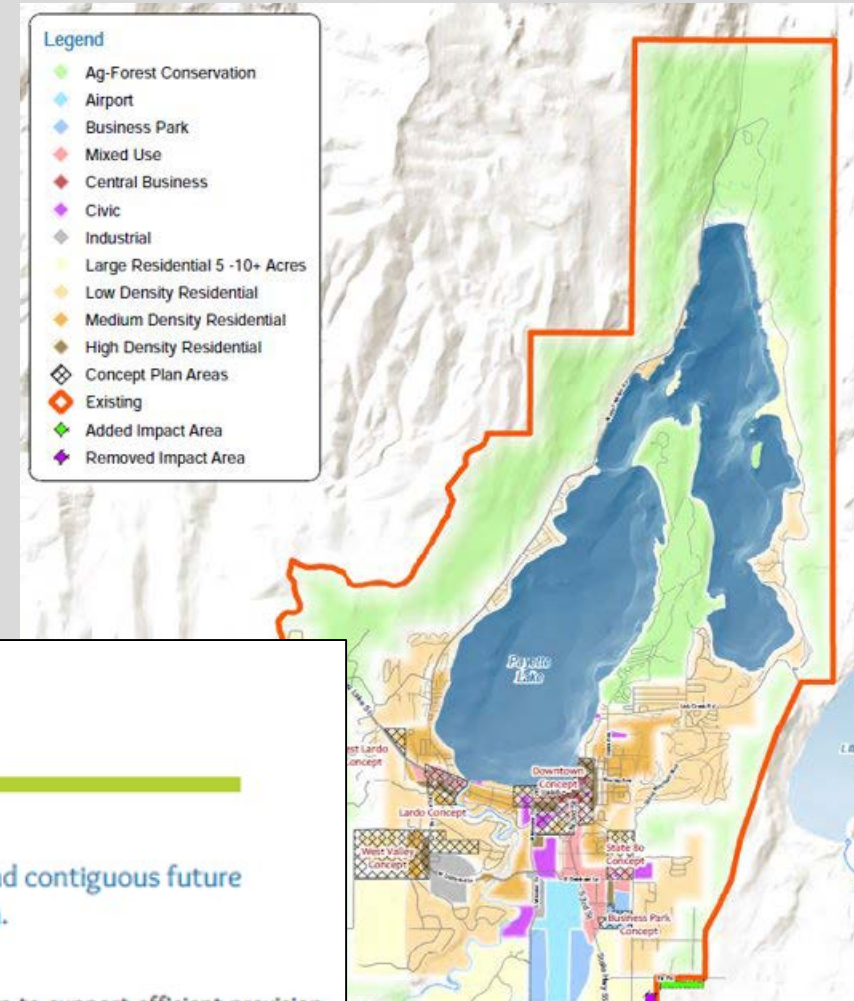
Goal 1: Plan for phased and contiguous future growth in the Impact Area.

Policy 1.1

Implement the Annexation Plan to support efficient provision of services. (See Map 5.3)

Policy 1.2

Encourage Valley County to develop incentives for clustering development and preserve open space and working agriculture land.



McCall Area Comprehensive Plan

Problem

There is a continuing need to evaluate and discuss the future of endowment lands within and immediately outside of the City of McCall's growth and impact areas.

- Underperforming assets (timberland)
- Revenue vs asset value - commensurate with appropriate asset returns
- Inconsistency between current asset classification and local planning
- Public's understanding of the endowment mission

The Plan

- Transition lands in a community context require long-range evaluation.
 - Immediate management decisions need to be made in the context of long-term community and market contexts.
- A phased approach allows revenue generation today, while considering potential future opportunities and trends.

Phase 1 – Short Term Plan

- Transition properties that are ready

Phase 2 – Medium Term Plan

- Properties that are on the near horizon and/or need additional studies

Phase 3 – Long Term Plan

- Develop broader suite of management options to maximize long-term revenue to value

Phase I – Short Term Plan (1-5 years)

- Transition those properties that are ready
 - Underperforming assets
 - Higher and better uses
 - Surrounding uses, utilities, infrastructure, and zoning prescribe and promote potential uses
 - Market conditions provide for absorption opportunities
- Revenue generated from transition closes the financial "gap".

Management Options:

- Traditional lease types
- New leasing opportunities
 - Disposition
 - Land exchange

Phase II - Medium Term Plan (5-10 years)

Properties that are on the near horizon and/or need additional studies.

- Parcel specific planning to determine maximum revenue opportunity.
- Use external experts to help evaluate real estate planning.
- Jurisdictional and other agency coordination, as needed.
- Work with stakeholders to establish coordination and cooperation within constitutional limitations and mandate.

Value add opportunities:

- **Annexation**
- **Preliminary platting**
- **Entitlement & utilities**
- **Zoning**
- **Access**
- **New lease types**

Phase III – Long Term Plan (10+ years)

Develop policy and planning mechanisms to create more consistency between endowment land classification/management and local planning visions.

- Develop broader suite of management options to maximize long-term revenue to value.
- Work with local land use jurisdictions to assure endowment lands are appropriately zoned and understood.
- Facilitated discussions with stakeholders to establish coordination and cooperation within constitutional limitations and mandate.

DEVELOPMENT POTENTIAL

The McCall Area has substantial land available for additional growth¹. Developable lands are located within the City limits and in the Area of Impact², and development is also possible on adjacent Idaho state lands. These areas include vacant, undeveloped, or redevelopable residential lands.

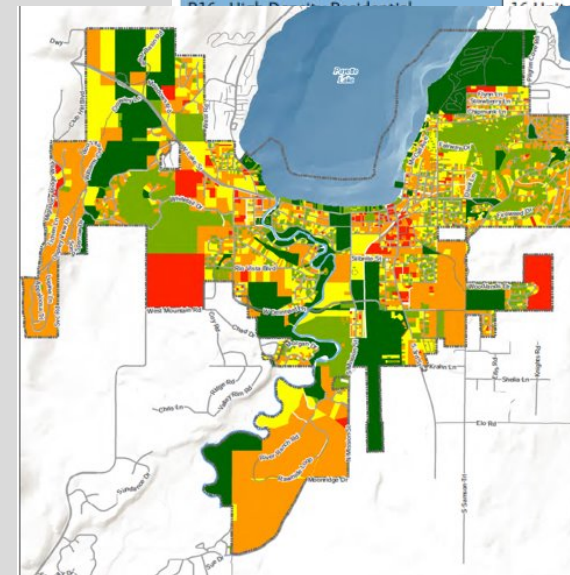
One measure used to understand the potential for development in the future is a build-out analysis. While it is unlikely that every parcel within the planning area will be developed to its maximum potential, analyzing and understanding the extent of development potential is useful. Based on the current undeveloped land within each zoning district, the McCall Area (City limits and Impact Area) has capacity for an estimated additional 13,400 residential dwelling units (Table 4.1) that, based on

the 2015 American Community Survey average household size of 2.91, could accommodate approximately 38,000 additional people.

This is a scenario for planning purposes and is not an adopted policy. Even if these estimates are reduced, the analysis points to an obvious conclusion—there is available land for significant additional residential development within the McCall Area. This development potential affords the City an opportunity to create and maintain efficient land use patterns that reduce the need for inefficient roads and utility infrastructure. Strategically placed local services, retail, and recreation areas could also reduce the lengths of trips for residents and facilitate walking and bicycling as alternatives to auto use.

Table 4.1: Residential Development Build-out Analysis based on Current Zoning

ZONING DISTRICT	Units per Acre	Acres of Developable Land	Additional Units at Maximum Build-out
R1 - Residential (1 Acre)	1 Units/Acre	1,277 Acres	1,277
R2 - Residential (2 Acre)	0.5 Units/Acre	1,838 Acres	919
R3 - Residential (3 Acre)	0.33 Units/Acre	524 Acres	173
R4 - Residential (4 Acre)	0.25 Units/Acre	1,509 Acres	377
R5 - Residential (5 Acre)	0.2 Units/Acre	2,656 Acres	531
			13,400.4



McCall Area Comprehensive Plan

Implementation

- Move forward with marketing for Phase I properties with the intention to be transitioned for increased revenue.
 - Third party expert assistance and recommendations.
 - Land Board approval where proposed uses are different from traditional management.
- Identify Phase II and III properties.
 - Parcel specific planning
 - Value add opportunities (annexation, entitlement, etc.)
 - Market analysis
 - Expert assistance
- Coordinate additional planning for Phase II and III properties, with updates to local jurisdiction planning documents.

How to close the gap?


- How can the Department close the gap?
 - Land activities
 - Leasing (options that allow a hold due to revenue producing activities)
 - Dependent on the market and applicant
 - Disposition and reinvestment (financial vs. land)
 - Land exchange (into a higher producing asset)

(The following examples are to illustrate land activity and analysis situations, they are not proposals or recommendations)

Closing the Gap

- There is a financial gap between revenue generation and asset value commensurate with timberland.
- Examine other opportunities (land exchanges, disposition, conservation easements, etc.) that will increase revenue.

Parcel G – East Shoreline



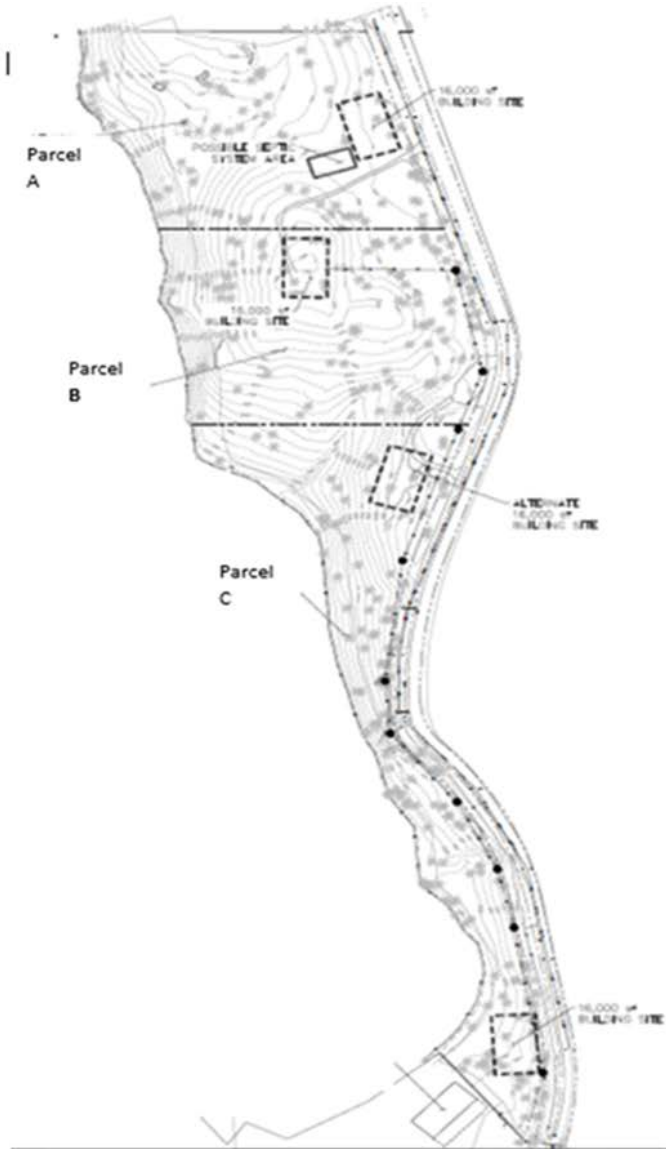
Acreage	+21
Current Asset Class	Timberland
Current Leasing Activity	None
Current Annual Revenue	\$0
Current Estimated Value	\$9,700,000
Target Rental Rate	4% based on Residential HBU
Target Yearly Revenue	\$388,000
Yearly Revenue Gap	(\$388,000)
Current Zoning	RR- Rural Residential
Future Land Use Plan Designation	Low Density Residential
Access	Eastside Drive
Utilities	Sewer, Electric



Parcel G – Financial Example of Lease vs. Disposition (Cottage Site Disposition)

Single Lot Value: 24.8 Acres = \$9,700,000

3 Lots Value: 34.8 Acres = \$10,590,000



3 Lot Option			
Parcel	Lot Size	Front Feet	Value
Parcel A	8.1	649	\$ 2,725,000
Parcel B	8.7	780	\$ 3,340,000
Parcel C	8	1,671	\$ 4,525,000
	24.8	3,100	\$ 10,590,000

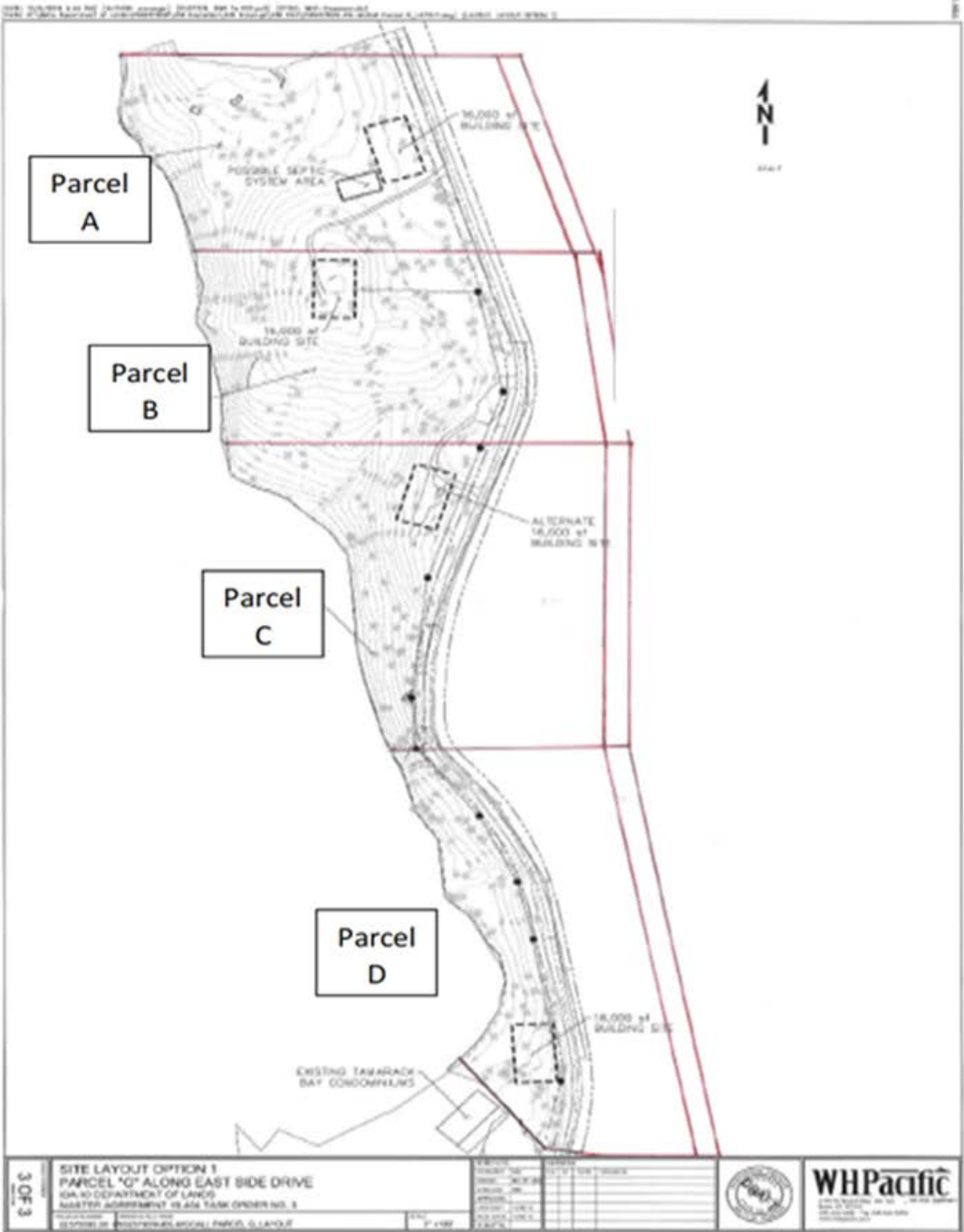
3 Lot Option (zoning requires 8 acre lot size)

4 Lot Option

Combine with additional uplands across the street to meet sewer district's requirements: 44 acres for 4 sewer connections

Parcel	Lot Size	Front Feet	Front Foot Value	Lot Value
Parcel A	11	649	\$4,198	\$2,725,000
Parcel B	11	780	\$4,282	\$3,340,000
Parcel C	11	835	\$3,300	\$2,755,500
Parcel D	11	836	\$4,200	\$3,511,200
	44	3,100		\$12,331,700

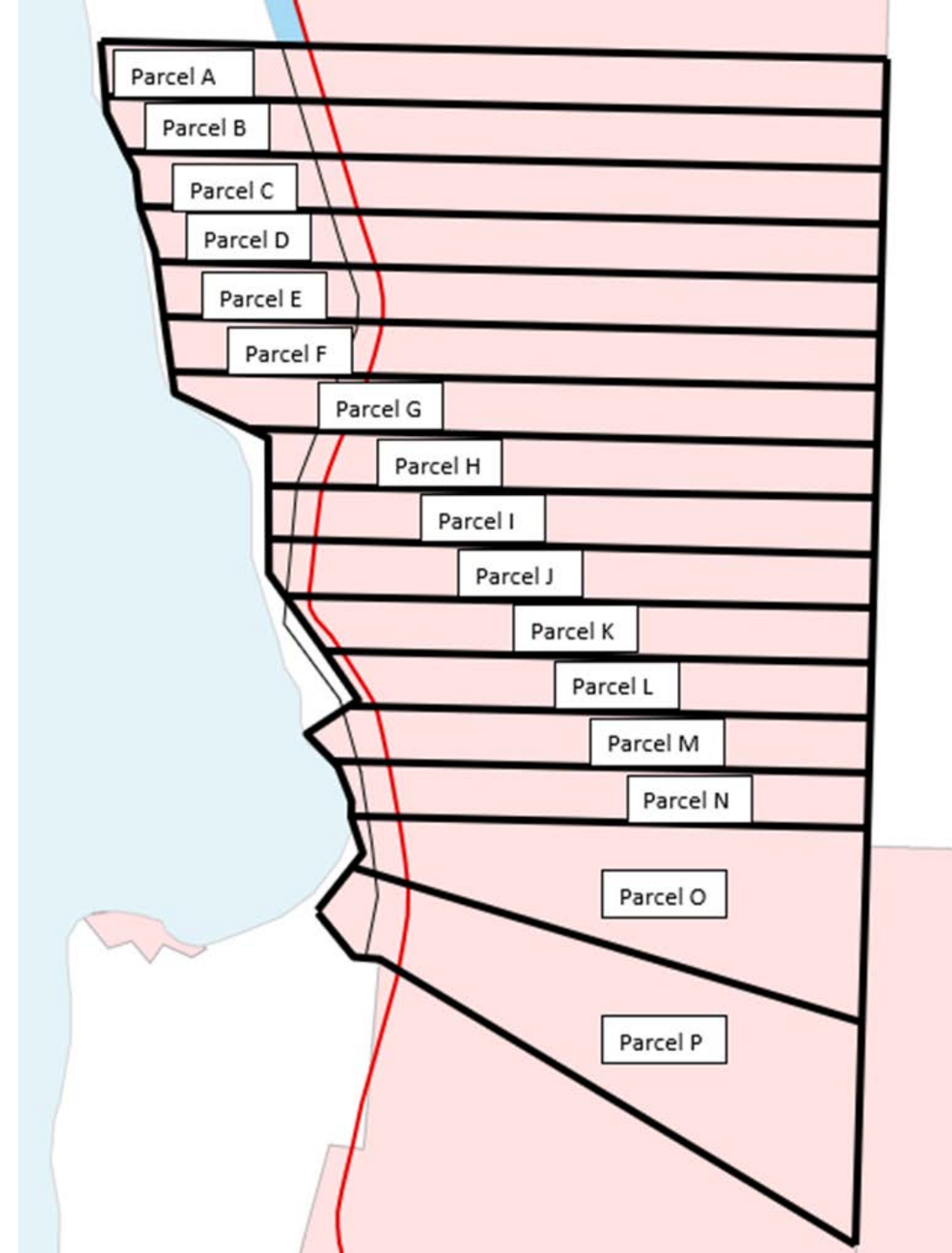
Estimated values



16 Lot Option (Hypothetical)

Parcel	Lot Size	Front Feet	\$/FF	Lot Value
Parcel A	11	190	\$8,000	\$1,520,000
Parcel B	11	190	\$8,000	\$1,520,000
Parcel C	11	190	\$8,000	\$1,520,000
Parcel D	11	190	\$8,000	\$1,520,000
Parcel E	11	190	\$8,000	\$1,520,000
Parcel F	11	190	\$8,000	\$1,520,000
Parcel G	11	200	\$6,500	\$1,300,000
Parcel H	11	190	\$5,500	\$1,045,000
Parcel I	11	190	\$5,500	\$1,045,000
Parcel J	11	190	\$5,500	\$1,045,000
Parcel K	11	190	\$5,500	\$1,045,000
Parcel L	11	190	\$5,500	\$1,045,000
Parcel M	11	200	\$5,500	\$1,100,000
Parcel N	11	190	\$5,500	\$1,045,000
Parcel O	16	200	\$8,000	\$1,600,000
Parcel P	16	220	\$10,500	\$2,310,000
	186	3,100		\$21,700,000

Estimated values





See Attachment 1
Financial Model

Leasing:

- Constitution - Article IX § 8
- Statutes - Idaho Code § 58-304 et al.
 - 58-310. TWO OR MORE APPLICANTS FOR SAME LAND — AUCTION OF LEASE. Except as otherwise authorized:
 - (1) When two (2) or more persons apply to lease the same land, the director of the department of lands, or his agent, shall, at a stated time, and at such place as he may designate, auction off and lease the land to the applicant who will pay the highest premium bid therefor, the annual rental to be established by the state board of land commissioners.
- Rules - IDAPA 20.03.13, 20.03.14, 20.03.15, 20.13.16
- Wasden v. State Bd. Of Land Comm'rs, 280 P.3d 693 (Idaho 2012) "Thus, Article IX, § 8, requires public auctions for leases of endowment lands."

CONSTITUTION OF THE STATE OF IDAHO ARTICLE IX EDUCATION AND SCHOOL LANDS

Section 8. LOCATION AND DISPOSITION OF PUBLIC LANDS. It shall be the duty of the state board of land commissioners to provide for the location, protection, sale or rental of all the lands heretofore, or which may hereafter be granted to or acquired by the state by or from the general government, under such regulations as may be prescribed by law, and in such manner as will secure the maximum long term financial return to the institution to which granted or to the state if not specifically granted; provided, that no state lands shall be sold for less than the appraised price. No law shall ever be passed by the legislature granting any privileges to persons who may have settled upon any such public lands, subsequent to the survey thereof by the general government, by which the amount to be derived by the sale, or other disposition of such lands, shall be diminished, directly or indirectly. The legislature shall, at the earliest practicable period, provide by law that the general grants of land made by congress to the state shall be judiciously located and carefully preserved and held in trust, subject to disposal at public auction for the use and benefit of the respective object for which said grants of land were made, and the legislature shall provide for the sale of said lands from time to time and for the sale of timber on all state lands and for the faithful application of the proceeds thereof in accordance with the terms of said grants; provided, that not to exceed one hundred sections of state lands shall be sold in any one year, and to be sold in subdivisions of not to exceed three hundred and twenty acres of land to any one individual, company or corporation. The legislature shall have power to authorize the state board of land commissioners to exchange granted or acquired lands of the state on an equal value basis for other lands under agreement with the United States, local units of government, corporations, companies, individuals, or combinations thereof.

Different activities may require different processes and documents (Disclaimer)

- IDAPA 20.03.14 – Rules Governing Grazing, Farming, Conservation, Noncommercial Recreation, and Communication Site Leases
 - Management Plans
 - Applications Require
 - Specific terms and conditions
 - Use and compatibility
 - Legal access and/or control of the land
 - Previous management of land leases and experience
 - Environmental and land management constraints
 - Mitigation measures
 - Payment of additional or non-standard administrative costs
 - Bonding
- Process and valuation of lease types not set by the rules or statute (commercial recreation, commercial office/retail, commercial ground lease, etc.)

Leasing process (generally)

1. Land available to lease

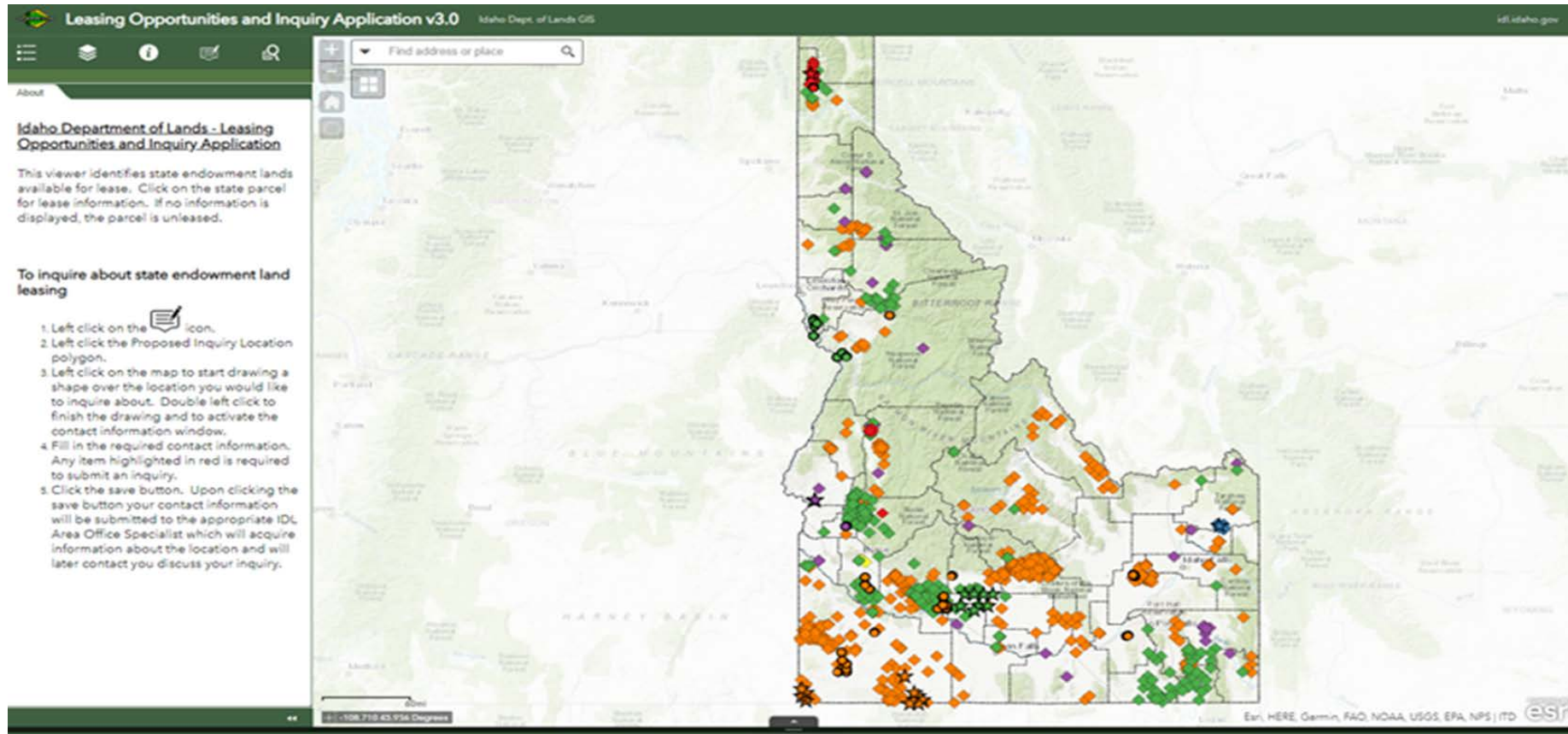
2. Advertise for application

3. Application

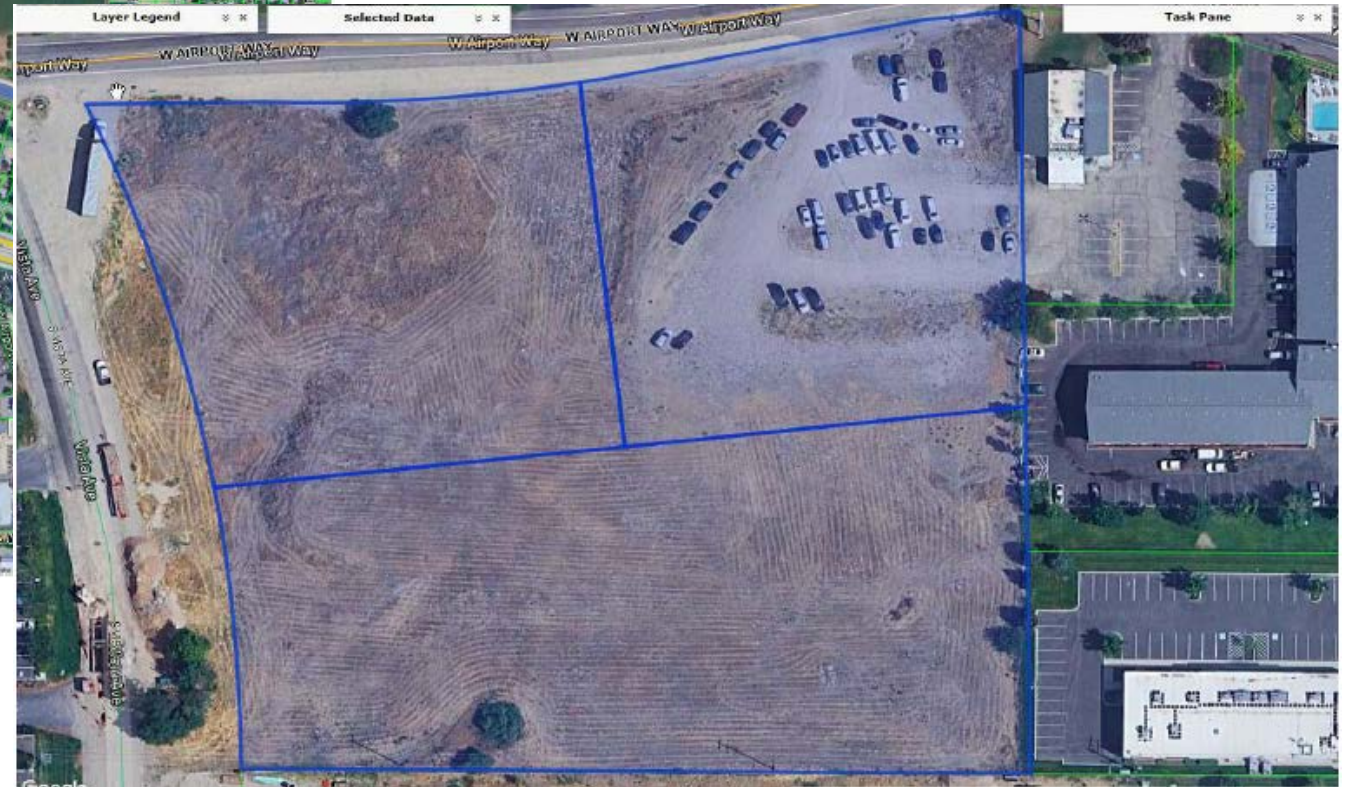
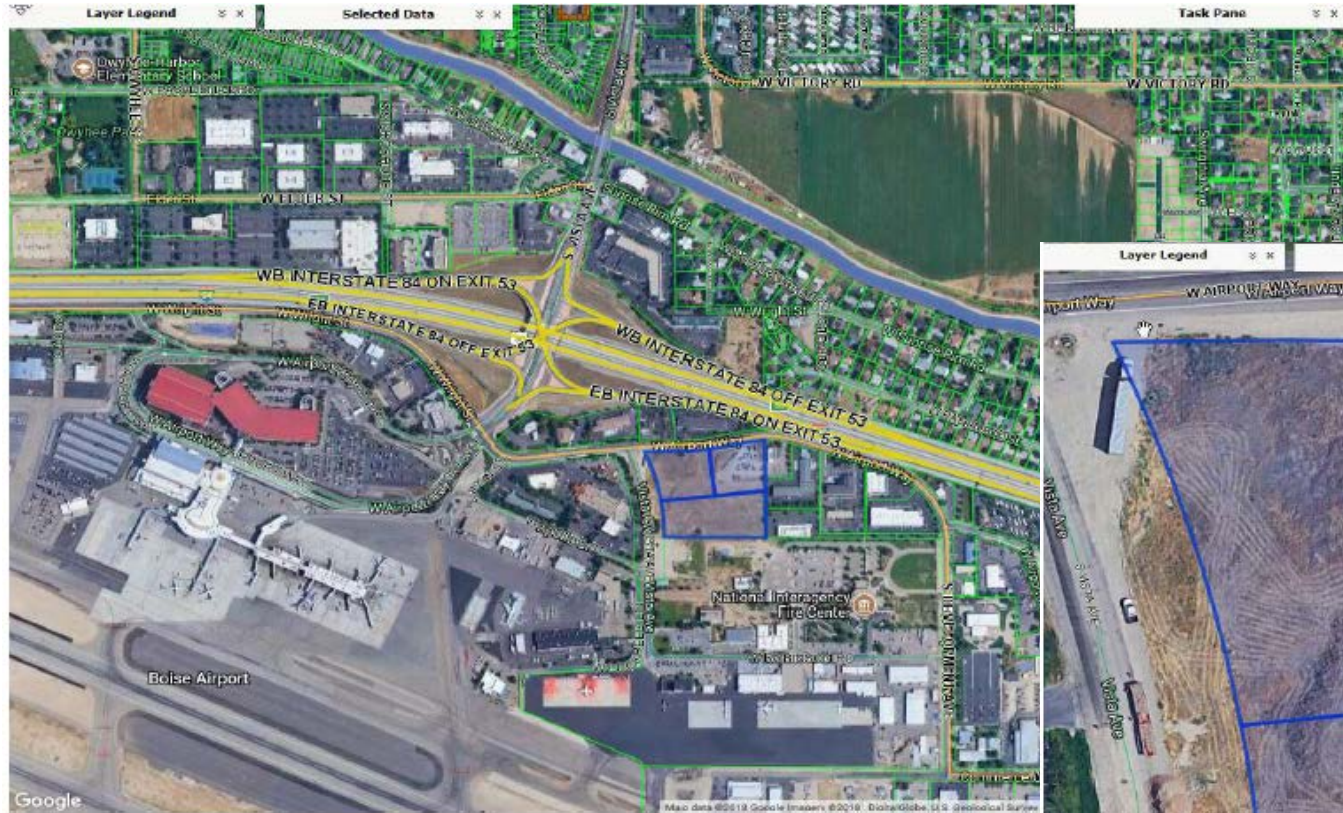
4. Notice of auction

5. Auction

6. Lease



Airport 7 – Example of Leasing Scenario (Boise, Ada County - Zoned C-2D General Commercial)



Airport 7 - Specific Property Information

AVAILABLE FOR LEASE

3 tax parcels totaling 6.7-acres, zoned C-2D. Proposals will be accepted for development of one, two, or all three parcels.

Ground Lease Process:

- Proposal submission
- IDL selects proposal
- Public Auction for lease is held
- IDL awards lease



For more information, call:

208-334-0257

www.idl.idaho.gov/leasing/commercial/index.html



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2005 -Environmental Si...
#5.pdf



2006 Supplemental Env...
#6.pdf



2010 well location
map.PDF



Airport 7 - Title Commi...
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Airport 7 Package.pdf



Airport Seven Soil Gas ...
ons.pdf



Airport_7_Monitoring_WV...
ons.pdf



NIFC Tech Memo 12-4-
08.pdf



Soil Gas Survey Tech M...
007.pdf



survey.pdf

Application

An application can be submitted through the new LIMS portal (coming soon) or via Department application forms

The screenshot displays the 'IDAHO Land Board Department of Lands Activity Management Portal'. The user is logged in as 'Russell Pence (Rusty's Red Rye Ranch and Distillery)'. The left sidebar contains navigation links: Activity Management, My Portfolio, Activity Report, Activity Map, Leasing Opportunities, Apply for New Lease, Payments, Payments Due, Payment History, Make Payment, Help, Registration, Map Tools, Activity Report, Legal, Disclaimer, and Additional Links (Contact Us). The main content area shows the 'Customer Instrument' table with columns for Instrument #, Status, Start Date, and various dates. A blue callout box highlights the 'My Portfolio' link and the 'Apply for New Lease' button, stating: 'Customer Portal Showing Customer Home Page My Portfolio is all leases at all statuses for that client, customer clicks Apply for New Lease'. Below the table is the 'Instrument Locations' map showing the state of Idaho and surrounding regions.

Instrument #	Status	Start Date	End Date	Expiration Date	
CR70000022	Crop				
CR70000023	Crop	Active	08/24/2018	04/11/2019	04/10/2030
CR70000024	Crop	Pre-Application	08/24/2018		04/10/2030
CR80000082	Crop	Application	04/09/2018		
CR80000083	Crop	Pre-Application	04/12/2019		
GR60000355	Grazing	Pre-Application	05/02/2019		
GR80000486	Grazing	Pre-Application	04/09/2019		

“Application” – Commercial Example (RFP/LOI)

February 14, 2019
Idaho Department of Lands
300 N. 6th Street, Suite #103
Boise, Idaho 83720

Attention: Joshua Purkiss

Reference: Airport 7 LOI

We respectfully submit this proposal for leasing the 6.7 acre Airport 7 site located on the SE corner of Vista Ave and Airport Way. After review of the site and the provided documents regarding the site's prior usage; as well as consultation with local real estate professionals, our terms are listed below:

- Size of lease area 6.7 acres (291,852 square feet).
- Zoned C-2D
- Lease term: 20 years with 20 year option to extend
- Annual rent: 35,430.00 dollars per year.
- Annual Lease increases: 1.8%
- 120 day Due Diligence period.

Our planned commercial use is with a nationally known AAA tenant to include potential buildings and supportive parking. We look forward to your response by February 18th 2019 at 5 pm.

Other proposals include parking and a memorial. How does a development with buildings change the evaluation (improvements, utilities, etc.)? What if there is a proposal for housing, industrial, or hospitality?

Letter of Intent to Lease Airport 7 Land

This Letter of Intent is entered into for the purpose of stating the intent of all parties regarding the lease of land owned by the State of Idaho, located at 2561 and 2421 West Airport Way and 3700 S. Vista in Boise, Idaho and consists of approximately 7 acres. Subject to the execution of a Lease Agreement mutually acceptable in form and content, this Letter of Intent will establish the basic terms and conditions for the Lease Agreement to be entered into between:

LANDLORD: ID State Department of Lands

TENANT:

Property Address: 2561, 2421 West Airport Way and 3700 S. Vista, Boise, ID.

Business Name: TBD

Use: Commercial Parking Lot.

Land size and approximate as-is value: 7 acres / \$1,500,000.

Preferred Lease Start Date: October 1, 2019

Lease Term: Fifty (50) Years

Rent Commencement Date: January 1, 2021

Base Rent:

Lease Years	Value	Rent Factor	Annual Rent
1-5	\$1,500,000	8.00%	\$120,000
6-10	\$1,575,000	8.00%	\$126,000
11-15	\$1,653,750	8.00%	\$132,300
16-20	\$1,736,438	8.00%	\$138,915
21-25	\$1,823,259	8.00%	\$145,861
26-30	\$1,914,422	8.00%	\$153,154
31-35	\$2,010,143	8.00%	\$160,811
36-40	\$2,110,651	8.00%	\$168,852
41-45	\$2,216,183	8.00%	\$177,295
46-50	\$2,326,992	8.00%	\$186,159

Lease Type: Absolute Net; Tenant to pay all expenses associated with the operations and maintenance of the property, to include liability insurance, common area maintenance, and property taxes (if applicable)

Early Termination: Tenant will have the right to terminate the lease after the fifth lease year.

Tenants Right to Purchase: Tenant will have a first right to purchase

Develop Lease Terms → Auction → Issue Lease

(this process includes assistance with the Office of Attorney General and in certain situations, Land Board approval)



What happens if it is not the original applicant or the concept that wins at auction?

Land Exchange

58-138. EXCHANGE OF STATE LAND. (1) The state board of land commissioners may at its discretion, when in the state's best interest, exchange, and do all things necessary to exchange fee simple title to include full surface and mineral rights to any of the state lands now or hereafter held and owned by this state for lands of equal value, public or private, excepting lands that have as their primary value buildings or other structures, unless said buildings or other structures are continually used by a public entity for a public purpose.

- Idaho Const. art IX, §§ 8, 10
- Idaho Admissions Act § 5(b)
- Idaho Code §§ 47-701(3), 47-711, 58-104(8), 58-133, 58-138, 58-505

Goals for land exchanges:

- Block-up endowment lands
- Gain access
- Increase revenue

What the Plan is not

- It is not a property specific plan
 - Why:
 - The Department manages 2.5 million acres of land. There are plans that provide direction to the Department that are specific to that management (FAMP).
 - Some lands have attributes that deviate from traditional management (transition). Those lands require individual action, which varies upon each property.
 - Land use is primarily dependent on market conditions and desired use (applicants).
 - The Department does not act like a developer or the private industry.
 - Any constraint on property use could be contrary to law (for example, limiting leasing to one activity may preclude other opportunities that could produce higher returns).
 - The leasing process allows for multiple uses.
 - Exemption from local zoning.
- It is not a proposal to sell, develop, or dispose
 - Why:
 - The Department will evaluate properties on a case-by-case basis to determine how each action will result in returns for the endowment.

Next Steps

- February 12, 2021 – end of public plan commenting
- March/April – present to Land Board for final approval of plan
- Remove moratorium on non-traditional leasing types
- Begin marketing and accepting applications
- Work through any outstanding or pending lease applications
- Begin the process for Phase II and III properties for individual site plans
- Begin discussions with local jurisdictions and stakeholders on ideas/concepts for revenue producing activities



Thank you